

Message Text

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ACTION STR-05

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 FEA-01 AGRE-00
CEA-01 CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01
INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01
CTME-00 AID-05 SS-15 ITC-01 TRSE-00 USIA-06
PRS-01 SP-02 OMB-01 /101 W
-----031562 132226Z /75

P 132113Z DEC 77
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 4030
INFO AMEMBASSY OTTAWA

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ACTION STR FOR KELLY, FEKETEKUTY, MCNAMARA PASS CODEL

EO 11652: NA
TAGS: ETRD, GATT, MTN
SUBJECT: CONSULTATIONS ON TARIFFS WORKING HYPOTHESIS--
CANADA

1. MTN DEL (BALE, ET AL.) HELD CONSULTATIONS AFTERNOON
DECEMBER 9 WITH CANADIAN MTN DEL (GORE, GIFFORD, GRENIER),
WHICH WERE SCHEDULED TO DISCUSS ISSUES PERTAINING TO
TABLING OF JANUARY 15 OFFERS UNDER WORKING HYPOTHESIS
AT THE TECHNICAL LEVEL. MOST OF MEETING SPENT ANSWERING
CANADIANS' QUESTIONS ON CURRENT DRAFT HYPOTHESIS, WHICH
HAD BEEN PASSED TO THEM EARLIER IN THE DAY. QUESTIONS
RAISED BY CAN DEL REFLECTED CAREFUL READING OF DRAFT
HYPOTHESIS ON SHORT NOTICE AND CONSIDERABLE ON-GOING
ANALYTICAL EFFORT IN OTTAWA.

2. CANADIANS REPEATEDLY PROBED US VIEWS ON STATUS OF
DRAFT HYPOTHESIS. SPECIFICALLY, THEY ASKED IF PAPER
WAS AN ATTEMPT TO REPRESENT A MULTILATERAL CONSENSUS OR
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JUST A US/EC BILATERAL UNDERSTANDING; HOW MUCH OF THE
LANGUAGE WAS AGREED BETWEEN THE US AND EC; WHAT THE LEVEL
OF COMMITMENT WAS TO THE CURRENT DRAFT; AND HOW WE
PLANNED TO HAVE IT IMPLEMENTED BY MTN PARTICIPANTS. US
DEL RESPONDED THAT WE SOUGHT OTHER DELS' COMMENTS; THAT
THE PAPER WAS BILATERAL IN AUTHORSHIP; AND THAT WE HAD
NO PLANS TO FORMALIZE IT AS AN OFFICIAL DOCUMENT, BUT

THAT WE HOPED COUNTRIES WOULD USE IT AS THE BASIS FOR OFFERS IN JANUARY. MTN DEL POINTED OUT IMPOSSIBILITY OF GETTING ALL PARTICIPANTS' VIEWS REFLECTED AND SUGGESTED THAT E.G., CANADA'S LOW-DUTY ELIMINATION GOALS MIGHT BE DEALT WITH BILATERALLY. COMMENT: GORE WAS CLEARLY ASSESSING THE PROSPECTS FOR GETTING CANADIAN PROPOSALS INCORPORATED IN THE TEXT OR, FAILING THAT, FOR MAKING THEIR POINTS SOME OTHER WAY BEFORE JANUARY 15. END COMMENT.

3. WHILE BEING CAREFUL TO KEEP DISCUSSION ON A TECHNICAL LEVEL, GORE DID COMMENT THAT CANADA AND POSSIBLY OTHER "THIRD PARTIES" TO THE DRAFT HYPOTHESIS WOULD FIND IT EASIER TO ACCEPT A GENERAL STATEMENT OF THE FOUR BASIC ELEMENTS (HARMONIZATION CURVE, 40-PERCENT CUT, NO-NET EXCEPTIONS AND STAGING) THAN THE MORE DETAILED FULL TEXT OF THE US/EC DRAFT. HE STATED THAT THE ATTEMPT TO BUILD CONSENSUS ON A DOCUMENT WHICH INCLUDES BASICALLY BILATERAL FEATURES LIKE THE BASE DATE/BASE RATE LANGUAGE WOULD NOT SUCCEED AND THAT THESE ISSUES WILL HAVE TO BE NEGOTIATED BILATERALLY.

4. OBLIGATION TO BIND UNBOUND FREE RATES: GORE SAID HIS READING OF US/EC DRAFT (PARA 3) IMPLIED THAT CANADA WOULD HAVE AN OBLIGATION TO BIND THESE RATES, BUT THAT THIS CONCESSION WOULD RECEIVE NO CREDIT TOWARD THE 40-LIMITED OFFICIAL USE

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PERCENT GOAL. HE CITED GATT ART. 28 (BIS) AND SAID THAT IN KR A DEFINITE VALUE WAS ASSIGNED TO FREE BINDINGS; HE SUGGESTED THAT SOMETHING SIMILAR SHOULD BE DONE AGAIN. MTN DEL NOTED CONCERN, BUT STATED THAT WE REGARDED THE BINDING OBLIGATION AS ADDITIONAL TO THE 40-PERCENT DEPTH OF CUT. (COMMENT: THE CANADIANS HAVE A SUBSTANTIAL TRADE INTEREST IN THIS ISSUE AND THE DRAFT HYPOTHESIS TREATMENT OF THIS QUESTION IS LESS FAVORABLE TO CANADA THAN THE KR MODALITIES. NEVERTHELESS, WE SEE NO OBVIOUS WAY TO FACTOR IN CREDIT TOWARD 40 PERCENT FOR THIS TYPE OF CONCESSION, AND WE ARE NOT PREPARED TO ASSIGN AN ARBITRARY EQUIVALENCE (E.G., FREE BINDING EQUAL TO DUTY REDUCTION FROM 20 PERCENT TO 10 PERCENT) WITHOUT SOME IDEA OF ITS IMPACT ON BALANCE OF CONCESSIONS ON DUTIABLE ITEMS. END COMMENT)

5. BASE DATE/BASE RATES: GORE SAID THAT WHILE HE REALIZED THAT THE DRAFT LANGUAGE ON THIS POINT WAS NOT DIRECTED PRIMARILY AT CANADA, THEY WOULD HAVE MAJOR PROBLEM WITH THIS SECTION. IN PARTICULAR, HE WAS DISTURBED BY THE GATT LEGAL IMPLICATIONS OF A "QUASI-BINDING" OF THE APPLIED RATE CUTS FOR BOUND ITEMS AND SAID THAT PROVISIONS OF THIS

TYPE IN THE DRAFT HYPOTHESIS WOULD HAVE THE EFFECT OF
PUSHING CANADA TOWARD ITEM-BY-ITEM NEGOTIATIONS.

6. APPLICATION TO AGRICULTURE: GIFFORD ASKED IF THE
TARIFFS WORKING HYPOTHESIS OR THE MODALITIES OF THE
TARIFFS HYPOTHESIS WOULD APPLY TO AGRICULTURE, I.E., IF
WE WOULD MAKE OFFERS BASED ON THE FORMULA. MTN DEL
RESPONDED THAT THE TARIFF HYPOTHESIS WOULD NOT APPLY, BUT
THAT WE EXPECTED PARALLEL RESULTS.

7. FOB/CIF: GORE ASKED WHAT OUR PLANS WERE ON FOB/CIF
AND VOLUNTEERED THAT OTTAWA WAS HAVING DIFFICULTY GETTING
DATA TOGETHER FOR ITS ANALYSIS. MTN DEL SAID MATTER WAS

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STILL UNDER CONSIDERATION.

8. TECHNICAL BASIS FOR OFFERS: GORE ASKED HOW MYRIAD
TECHNICAL ISSUES ON CALCULATION OF OFFERS WOULD BE HANDLED
AND EXPRESSED STRONG PREFERENCE FOR COMMON UNDERSTANDING
ON BASE YEAR FOR TRADE STATISTICS, ETC. MTN DEL AGREED
AND GAVE CANADIANS US IDEAS (SEE SEPTTEL ON DESIRABLE
CONTENT OF JANUARY OFFERS) FOR MINIMUM DECLARATION OF
SPECIFICATIONS TO ACCOMPANY JANUARY 15 TABLING WHICH
WOULD GIVE PARTICIPANTS A BASIS FOR VERIFYING THAT THE
OFFERS MADE CONFORMED TO THE WORKING HYPOTHESIS. US DEL
ALSO SUGGESTED THAT TRIF MIGHT BE USED FOR DETAILED
LISTINGS OF OFFERS AND THAT GATT SECRETARIAT WOULD BE
AVAILABLE TO CONFIRM DEPTH OF CUT CALCULATIONS AND

PROVIDE OTHER ASSISTANCE.

9. CONFIDENTIALITY OF OFFERS: ISSUES OF TRANSPARENCY AND CONFIDENTIALITY OF OFFERS EMERGED IN DISCUSSIONS OF GATT SECRETARIAT ROLE. GORE SAID CANADA HAD NOT YET TAKEN A POSITION ON TRANSPARENCY OF VARIOUS OFFERS (INCLUDING AGRICULTURE AND NTM'S), BUT IF THEY DID NOT OPT FOR LIMITED OFFICIAL USE

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TRANSPARENCY, KEY ROLE OF SECRETARIAT IN TARIFFS WORK MIGHT BE A PROBLEM. GORE WENT ON TO SAY THAT HIS GOVERNMENT HAD THUS FAR BEEN VERY SUCCESSFUL IN KEEPING ALL DETAILS ON REQUEST AND OFFER PLANS FROM DOMESTIC INDUSTRY AND PROVINCES AND WAS VERY SENSITIVE TO ANY LEAKS. MTN DEL SUGGESTED THAT IT WOULD BE DIFFICULT FOR US TO MAINTAIN THIS DEGREE OF CONFIDENTIALITY ONCE DETAILED OFFERS ARE MADE--IF FOR NO OTHER REASON THAN THAT THE US ADVISORS WILL BE APPRISED OF US EXCEPTIONS AND WOULD BE ASKED TO COMMENT ON ELEMENTS OF CANADIAN REQUESTS AND OFFERS GIVEN TO THE USG.

10. STATUS OF CANADIAN REQUESTS/OFFERS: GORE SAID THAT WORK IN OTTAWA IS NOW CONCENTRATING ON FORMULA ANALYSIS AND FORMULA OFFERS. NEXT PRIORITY WILL BE DEEPER-THAN-FORMULA REQUESTS (FROM US), WHILE REQUESTS TO NON-FORMULA DEVELOPED COUNTRIES IS NOT YET IN FOCUS. GORE SAID THEIR FORMULA WORK SHOWS SLIGHTLY DIFFERENT PARAMETERS REQUIRED FOR THEM TO MEET 40 PERCENT THAN THE ONE SHOWN IN US FIGURES. HE ASKED IF US WOULD EXPECT CANADIANS TO USE US CALCULATION IN OFFER OR WOULD ACCEPT "MORE ACCURATE" FIGURES. MTN DEL SAID WE REGARD OUR FIGURES AS ILLUSTRATIVE AND WOULD ACCEPT PARTICIPANTS' OWN RESULTS SUBJECT TO VERIFICATION.

11. PETROLEUM: MTN DEL DESCRIBED US INTENTION TO EXCLUDE RATHER THAN EXCEPT PETROLEUM AND PRIMARY PETROLEUM PRODUCTS FROM TARIFFS OFFERS AND NOT TO GIVE OTHER PARTICIPANTS CREDIT FOR REDUCTIONS ON THESE PRODUCTS. GORE SAID HE COULD NOT GIVE POLICY RESPONSE, BUT HE BELIEVED THAT CANADIAN FORMULA CALCULATIONS EXCLUDED ARTICLES EQUIVALENT TO US PETROLEUM MANDATORY EXCEPTION. MTN DEL SAID IN RESPONSE TO QUESTION THAT NO OTHER INDUSTRIAL PRODUCT LIMITED OFFICIAL USE

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EXCLUSIONS WOULD BE MADE BY US.

12. COMMENT: WE FOUND THAT CANADA IS DOING THE NECESSARY WORK IN OTTAWA TO PREPARE FOR A TABLING ON JANUARY 15 ON A FORMULA BASIS IN SPITE OF PROBLEM OF ABSENCE OF CANADIAN PROPOSALS IN THE US/EC DRAFT. THE CANADIANS WILL CONTINUE TO PRESS THEIR INTERESTS IN DUTY ELIMINATION AND SECTORS, BUT MAY IN THE END FALL BACK ON A STATEMENT THAT THEIR OFFER IS CONDITIONAL UPON SATISFACTORY PROGRESS IN THESE AREAS. CANADIANS LIKELY TO GIVE ADDITIONAL REACTIONS AFTER FURTHER REVIEW OF DRAFT.

13. DRAFTED BY SMITH. MCDONALD

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